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Tax treaties with Singapore and Thailand ratified

On 5 January 2018, the General Department of Taxation issued a press release announcing that the Double Taxation Agreements (“DTA’s”) Cambodia signed with Singapore in 2016 and Thailand in 2017 have been ratified and are in force as of 1 January 2018.

However, and before Cambodian taxpayers may take advantage of any of the tax benefits under these treaties, approval needs to be obtained from the General Department of Taxation (“GDT”). The tax authority has announced that it will shortly release a Prakas, which will provide further information on the process taxpayers will need to follow before claiming the treaty benefits available under the two DTA’s.

Transfer pricing documentation disclosure requirements in the recently updated annex to the 2017 tax on income return

Recently the GDT released its updated related party disclosure annex 1 – “list of related party transactions”, which applies to Cambodian taxpayers that entered into related party transactions in 2017. In updating annex 1, the GDT has included the following, which taxpayers are required to respond to by ticking “Yes” or “No”:

“Document of transfer pricing: Has the Enterprise prepared and kept the Document of Transfer Pricing of Related-Party Transactions in accordance with the arm’s length principle as stated in the Prakas No. 986 MEF/PK”.

The Prakas already contains a provision which requires taxpayers to maintain transfer pricing documentation. The question in the form further emphasizes this. The challenge for many taxpayers will be whether they will be in a position to answer “yes” to this question at the time they are required to file their CIT return.

Notification of the implementation of new tax on salary rates

(Notification No. 002 MEF.GDT released on 15 January 2018)

The Notification is effective to Tax on Salary (“TOS”) returns from January 2018 onwards and all enterprises are now required to use the following, progressive, TOS rates for calculating their resident employees TOS liability:

Monthly Taxable Salary (Riel)	Rate	Formula
0 - 1,200,000	0%	–
1,200,001 - 2,000,000	5%	Tax base x 5% - 60,000 Riel
2,000,001 - 8,500,000	10%	Tax base x 10% - 160,000 Riel
8,500,001 - 12,500,000	15%	Tax base x 15% - 585,000 Riel
12,500,001 - upwards	20%	Tax base x 20% - 1,210,000 Riel

Prakas on amendments to the classification of real regime taxpayers

(Prakas No. 025.MEF.PK.GDT released on 24 January 2018)

On 24 January 2018, the Ministry of Economy and Finance released its reclassification criteria for real regime taxpayers. Real regime taxpayers in Cambodia only need to meet one of the following criteria to be classified in that category:

Small taxpayers

- Enterprises with an annual turnover 250 million Riel to 700 million Riel
- Enterprises with or those that are anticipating a turnover of more than 60 million Riel over three consecutive months in the current calendar year
- Enterprises participating in bidding or quoting for the supply of goods or service including Phasi

Medium taxpayers

- Enterprises with an annual turnover of between 700 million Riel to 4 billion Riel
- Enterprises incorporated as a legal entities or representative
- Government institutions, sub-national government institutions, associations and non-government organizations
- Missions of a foreign consul and ambassadors, international organizations and technical cooperation agencies representing foreign governments

Large taxpayers

- Enterprises with an annual turnover of over 4 billion Riel
- Subsidiaries of multi-national companies, including branches of foreign companies
- Enterprises registered as Qualified Investment Projects

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